

U.S. & Oklahoma Economic Outlook



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Purposes and Structure of the Federal Reserve System

- **Overall purposes of the Fed are to promote:**
 - National financial stability
 - Maximum sustainable economic growth
 - Low and stable inflation
- **Mission areas:**
 - Monetary policy – most visible role to the public, usually
 - Bank regulation – including lender of last resort
 - Payments systems – cash, checks, electronic payments
- **Monetary policy is set by the 12-member FOMC:**
 - The Federal Open Market Committee meets every 6 weeks
 - Voting members consist of:
 - the 7 Governors in Washington;
 - the New York Fed President;
 - 4 of the 11 other Fed presidents on a rotating basis

The Kansas City and Oklahoma City Offices

- **Tenth District Headquarters in Kansas City**
 - Nearly **1,000 staff** involved in all mission areas
 - **New building** officially opened in June
- **Oklahoma City Branch Office**
 - **Staff and functions** – about 35 staff involved in economic research, bank examinations, and public and community affairs
 - **Branch board of directors** – 7 members from around the state; provide anecdotal information in advance of each FOMC meeting
- **Oklahoma City Branch Board of Directors**
 - *Chairman* **Richard Ratcliffe**, Chairman, Ratcliffe's Textbooks, Weatherford
 - **Steve Agee**, President, Agee Energy, and Professor, OCU, Oklahoma City
 - **Terry Almon**, President, Oklahoma Community Capital Corp., Broken Arrow
 - **Jim Dunn**, Chairman, Mill Creek Lumber & Supply Co., Tulsa
 - **Barry Golsen**, President, LSB Industries, Oklahoma City
 - **Fred Ramos**, President, RGF, Inc., Oklahoma City
 - **Doug Tippens**, President, Canadian State Bank, Yukon

The U.S. Economy

Strains in financial markets have increased significantly and labor markets have weakened further. Economic growth appears to have slowed recently, partly reflecting a softening of household spending. Tight credit conditions, the ongoing housing contraction, and some slowing in export growth are likely to weigh on economic growth over the next few quarters. Over time, the substantial easing of monetary policy, combined with ongoing measures to foster market liquidity, should help to promote moderate economic growth.

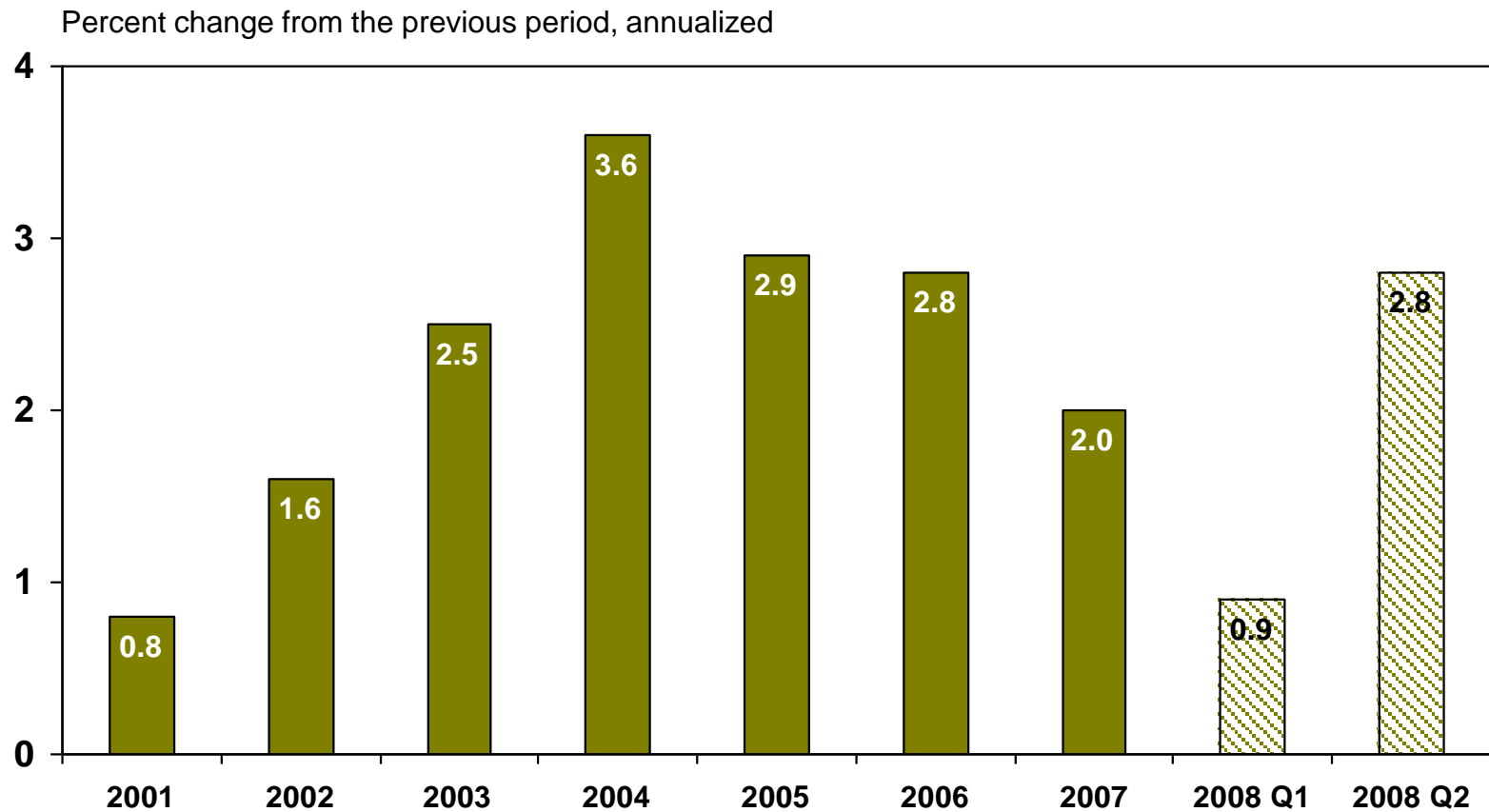
Inflation has been high, spurred by the earlier increases in the prices of energy and some other commodities. The Committee expects inflation to moderate later this year and next year, but the inflation outlook remains highly uncertain.

The downside risks to growth and the upside risks to inflation are both of significant concern to the Committee. The Committee will monitor economic and financial developments carefully and will act as needed to promote sustainable economic growth and price stability.

--September 16 FOMC Statement

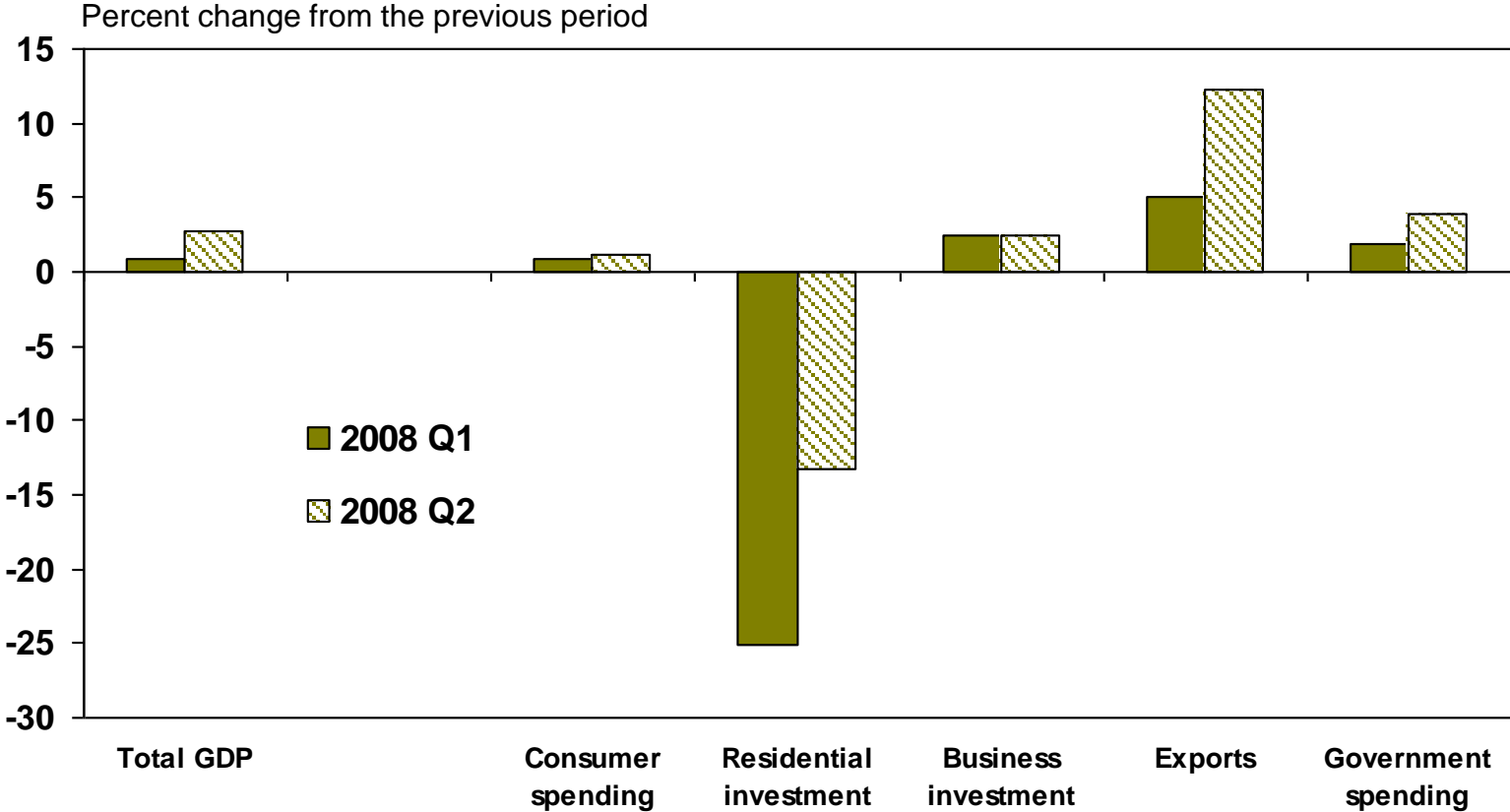
GDP growth was solid in the second quarter but is expected to slow

Gross Domestic Product



Stimulus checks, exports, and defense spending provided a boost in Q2

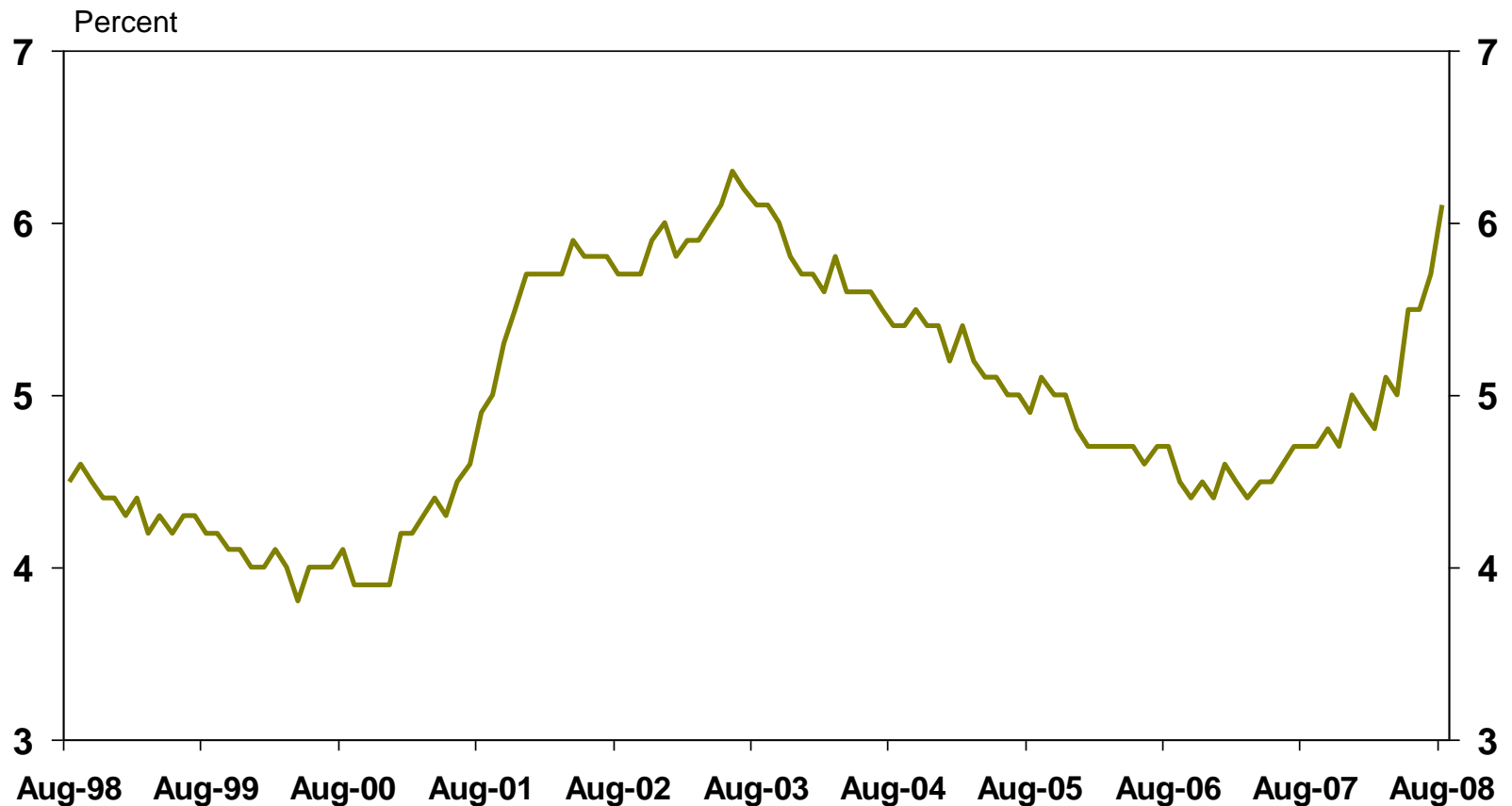
Growth in Components of GDP



Source: U.S. Bureau of Economic Analysis

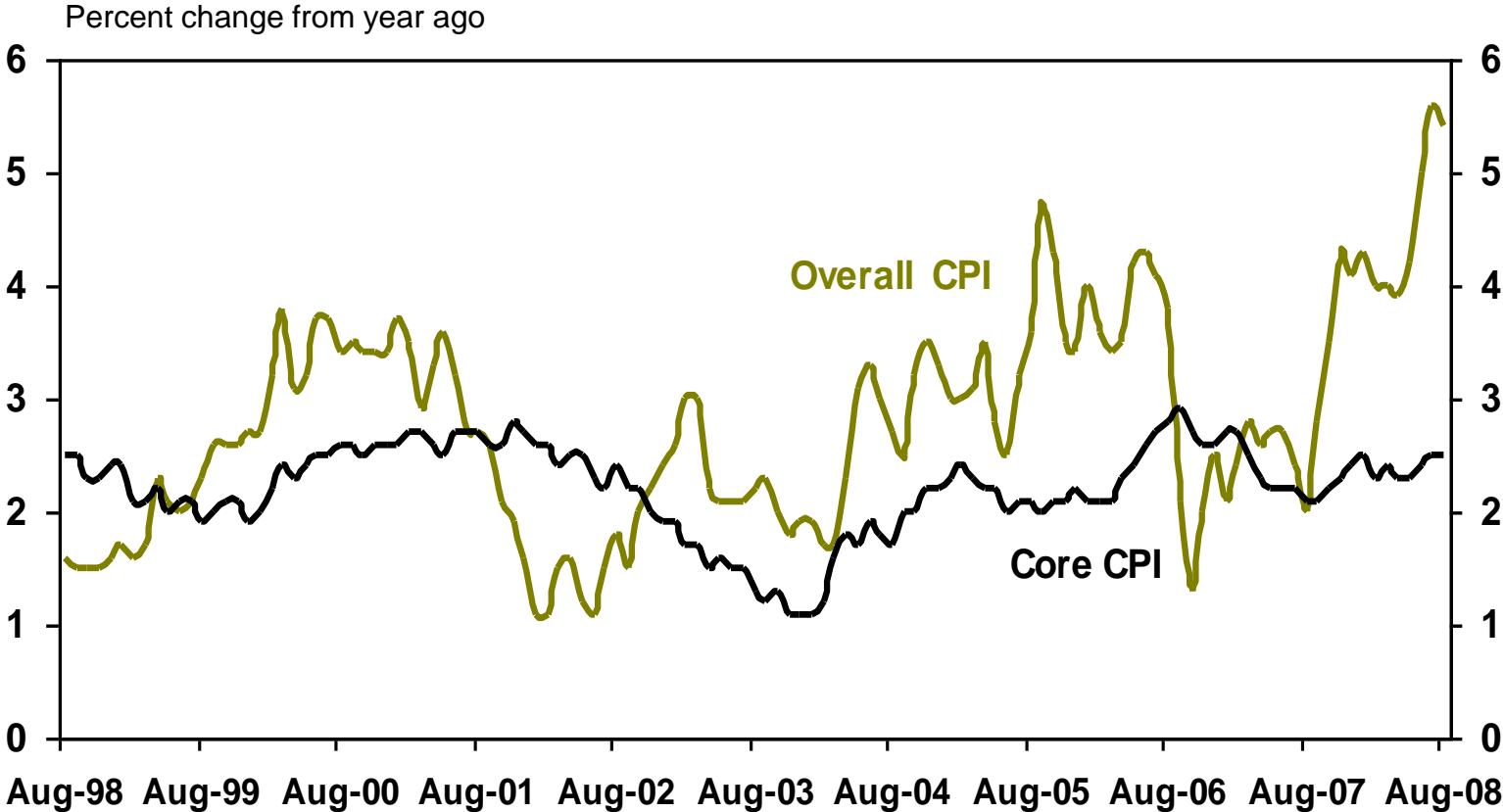
But unemployment has risen further in the third quarter

Unemployment Rate



Meanwhile, inflation pressures remain high

Consumer Price Index



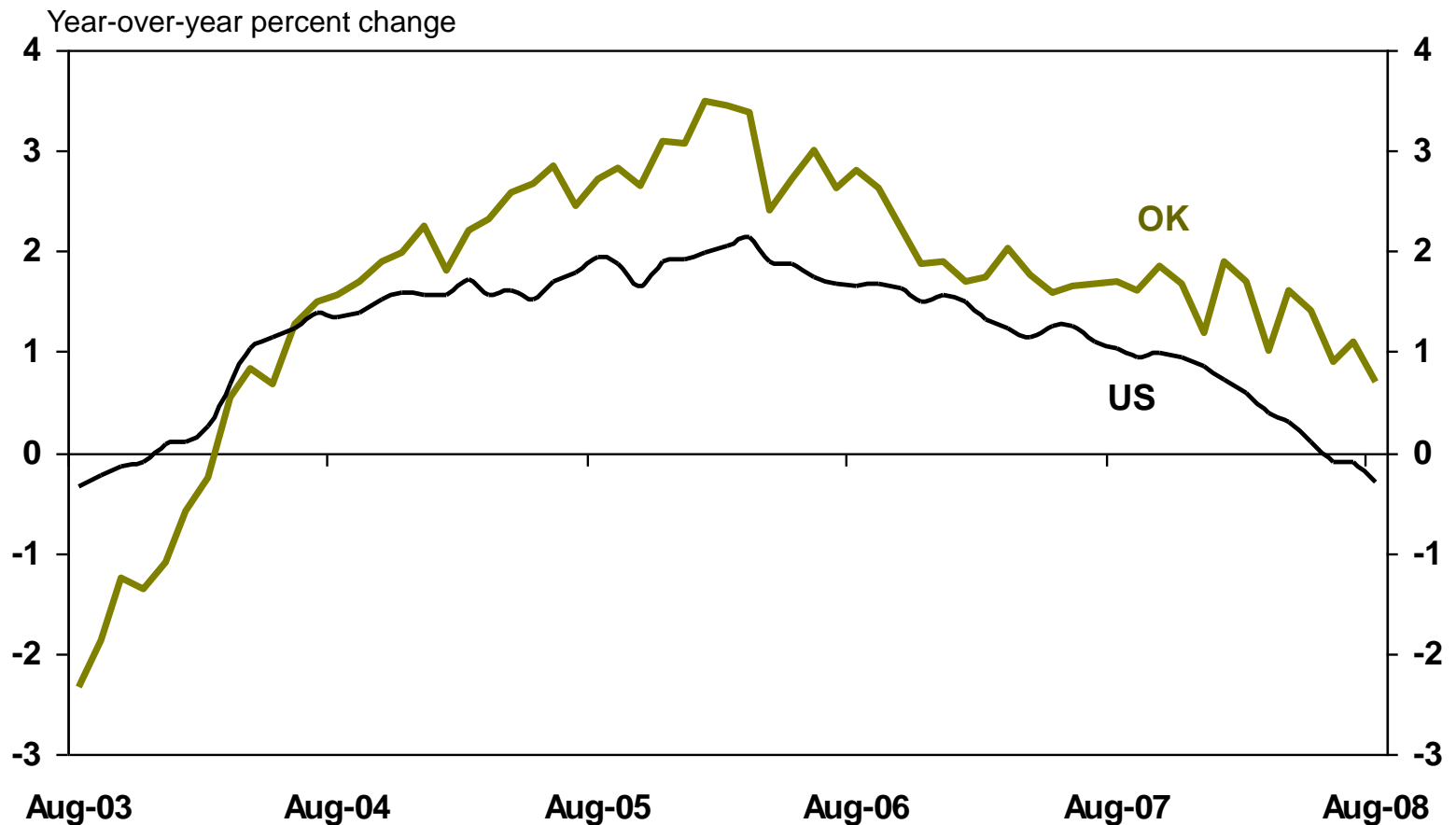
Source: U.S. Bureau of Labor Statistics

The Oklahoma Economic Outlook

- ❑ Oklahoma's economy remains solid, with housing and banking in better shape than the U.S.
- ❑ Solid energy activity should continue to help promote moderate overall growth in the state
- ❑ But the national situation bears watching...

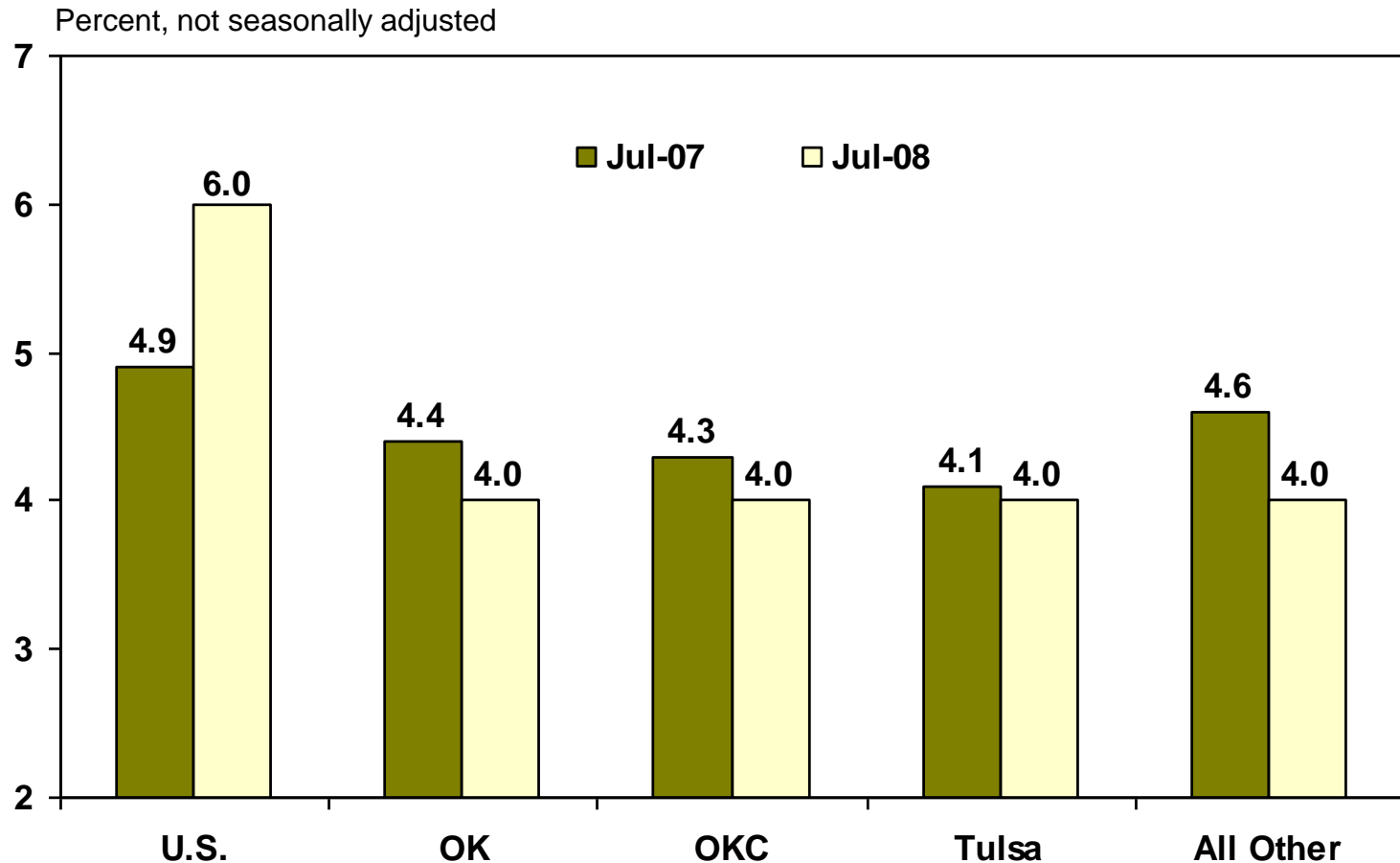
Oklahoma job growth has slowed but remains well above the national average

Nonfarm Payroll Employment Growth



Unlike in the nation, unemployment rates are down across the state since last year

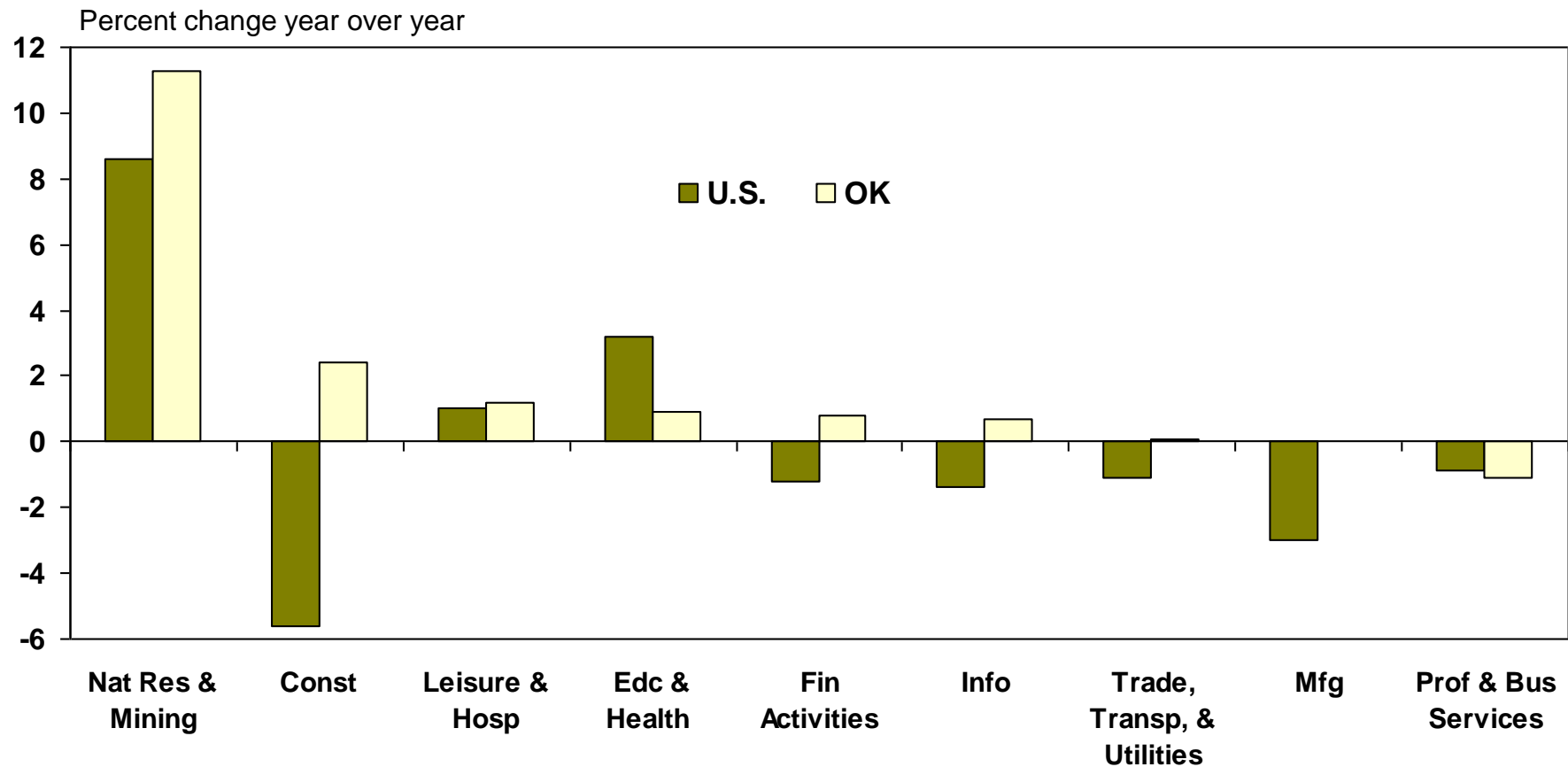
Unemployment Rates



Strength in Oklahoma job growth continues to be driven by energy and construction

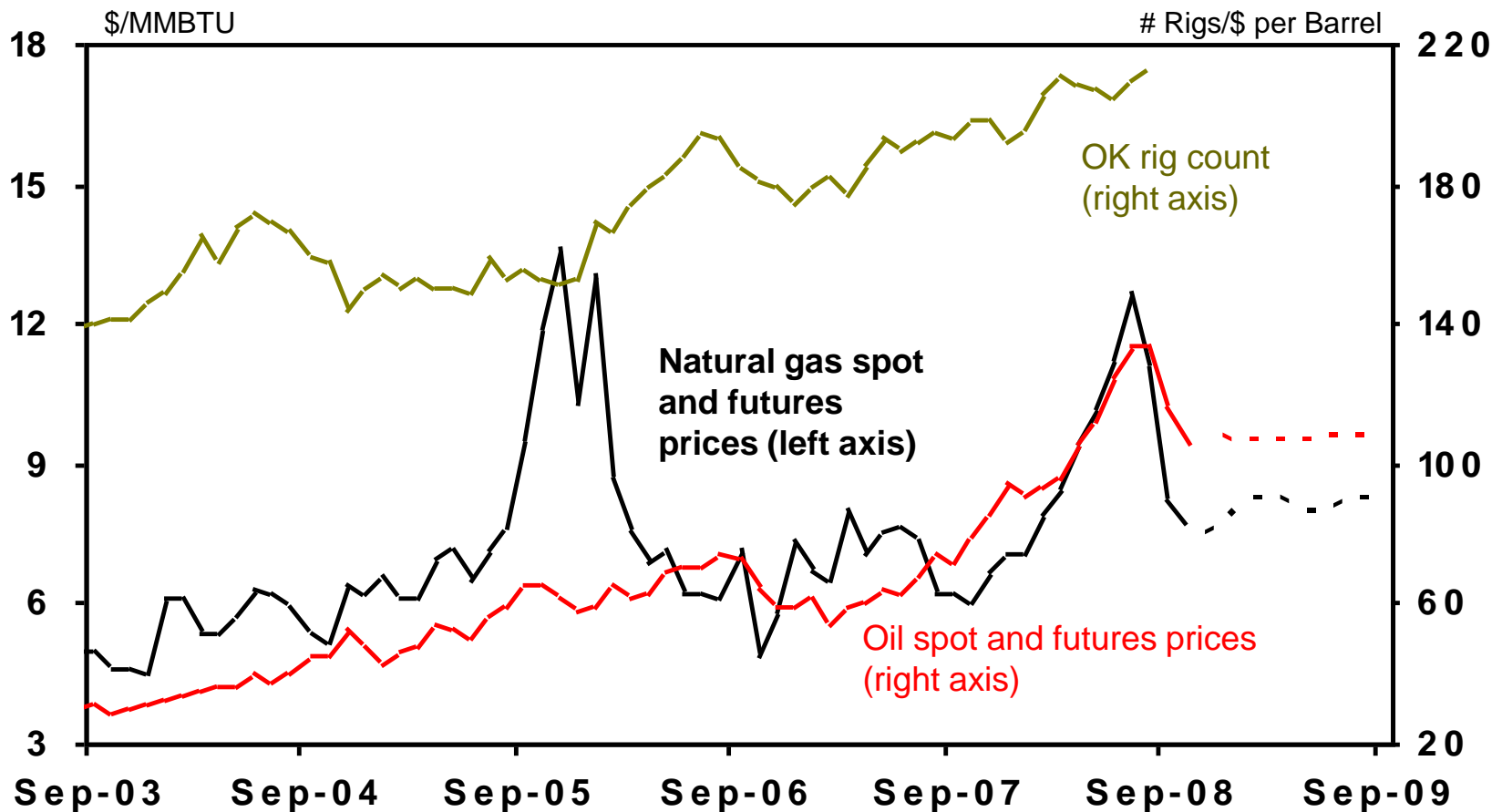
Employment Growth by Industry

August 2008



State oil and gas activity remains strong, and futures prices are solid

Count of Active Drilling Rigs and Oil/Natural Gas Prices



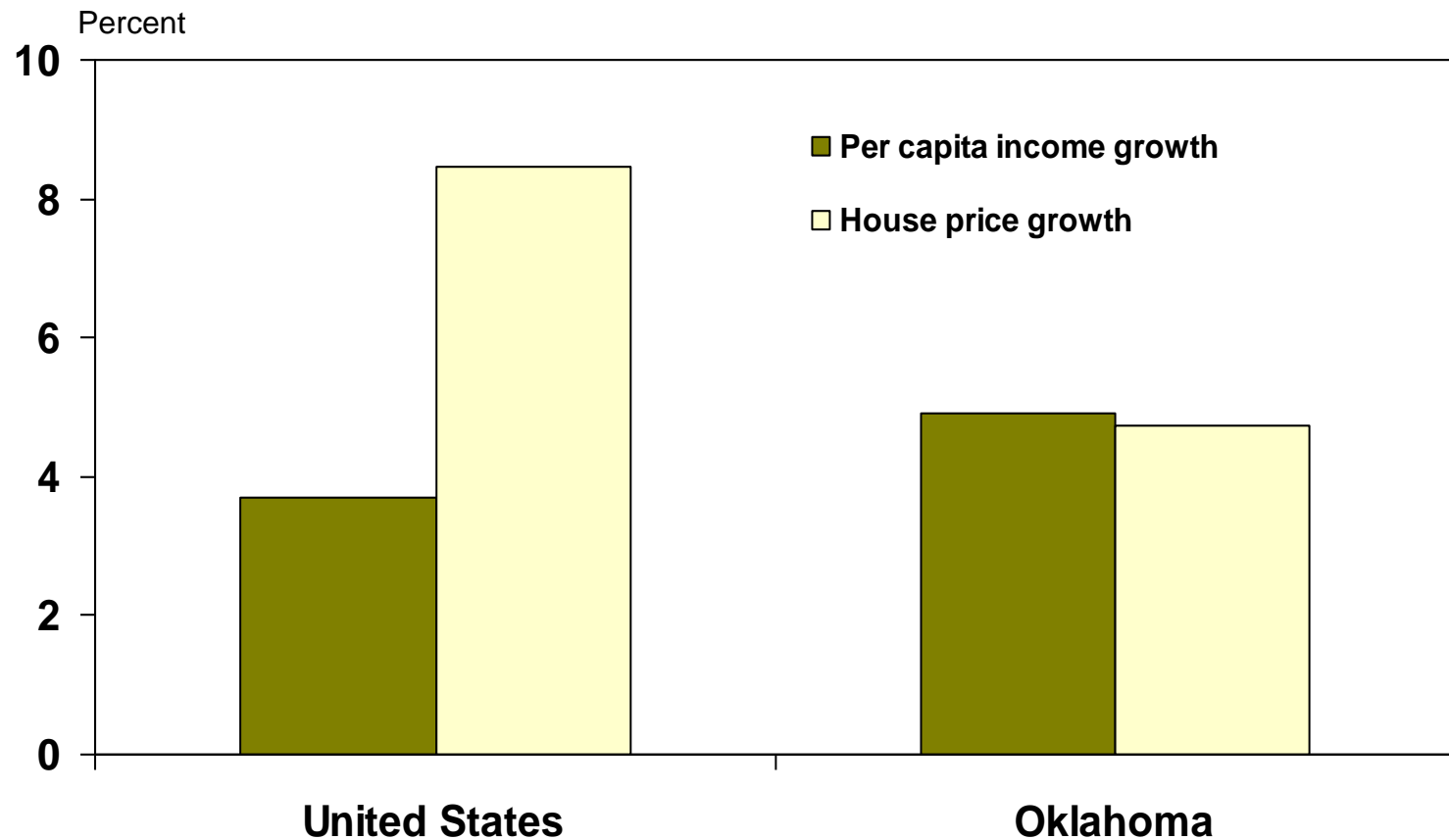
Oklahoma home prices continue to grow, even as prices fall nationally

Quality-Adjusted Home Price Growth



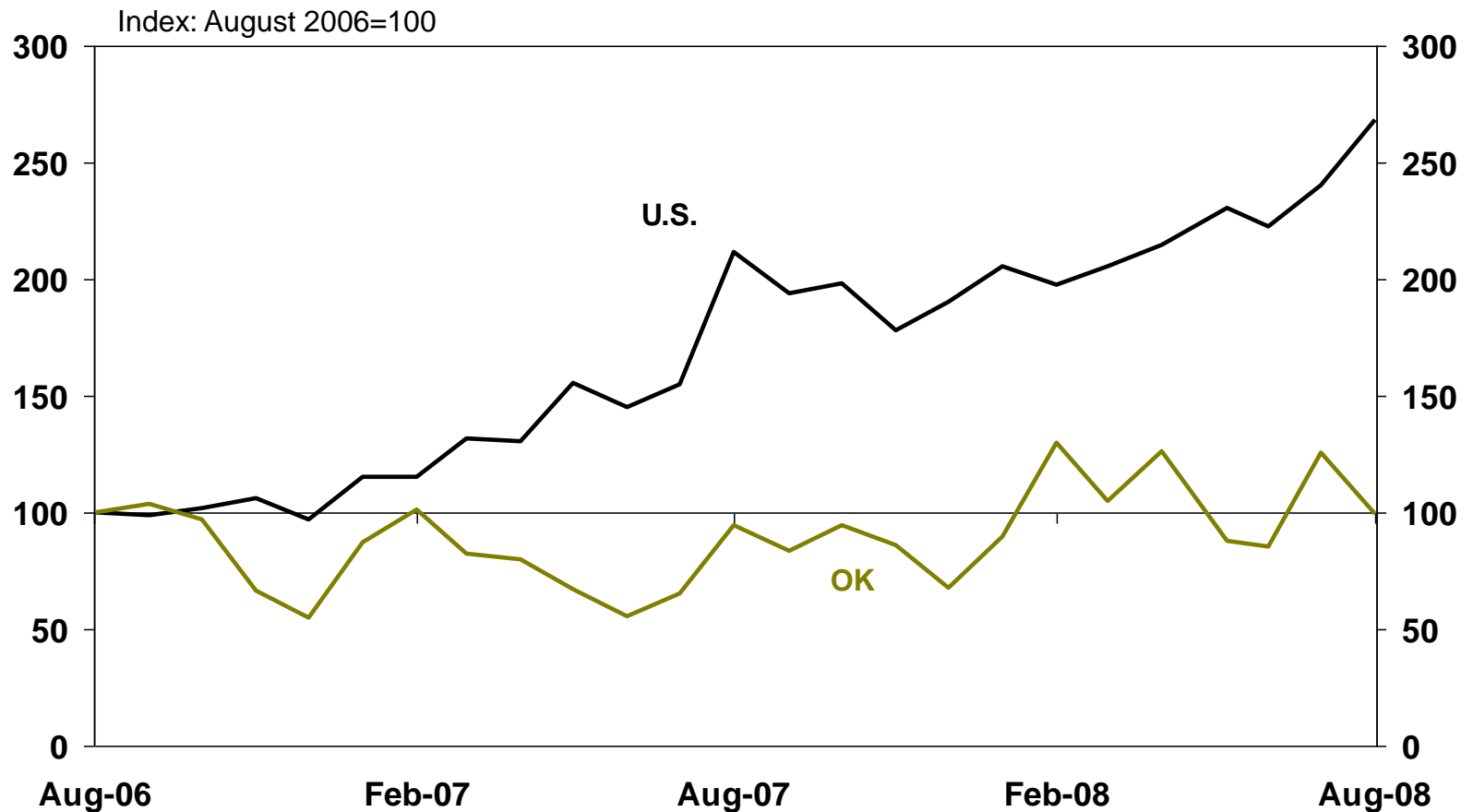
House price fundamentals were more in line in Oklahoma from 2000 to 2005

Annual Growth in Per Capita Incomes and Home Prices
2000 - 2005



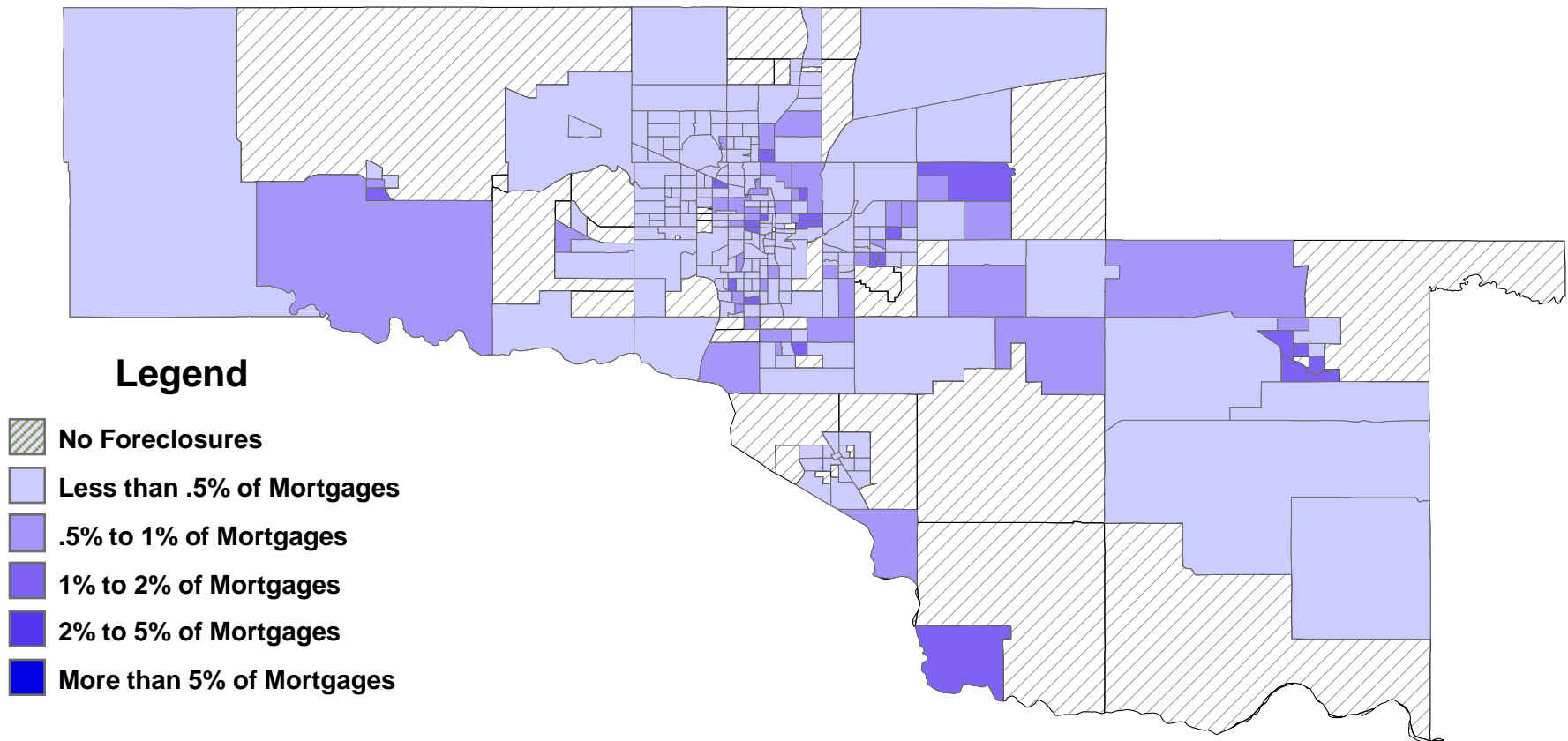
Foreclosure rates have remained relatively stable in Oklahoma, unlike the nation

Foreclosures in the U.S. vs. Oklahoma

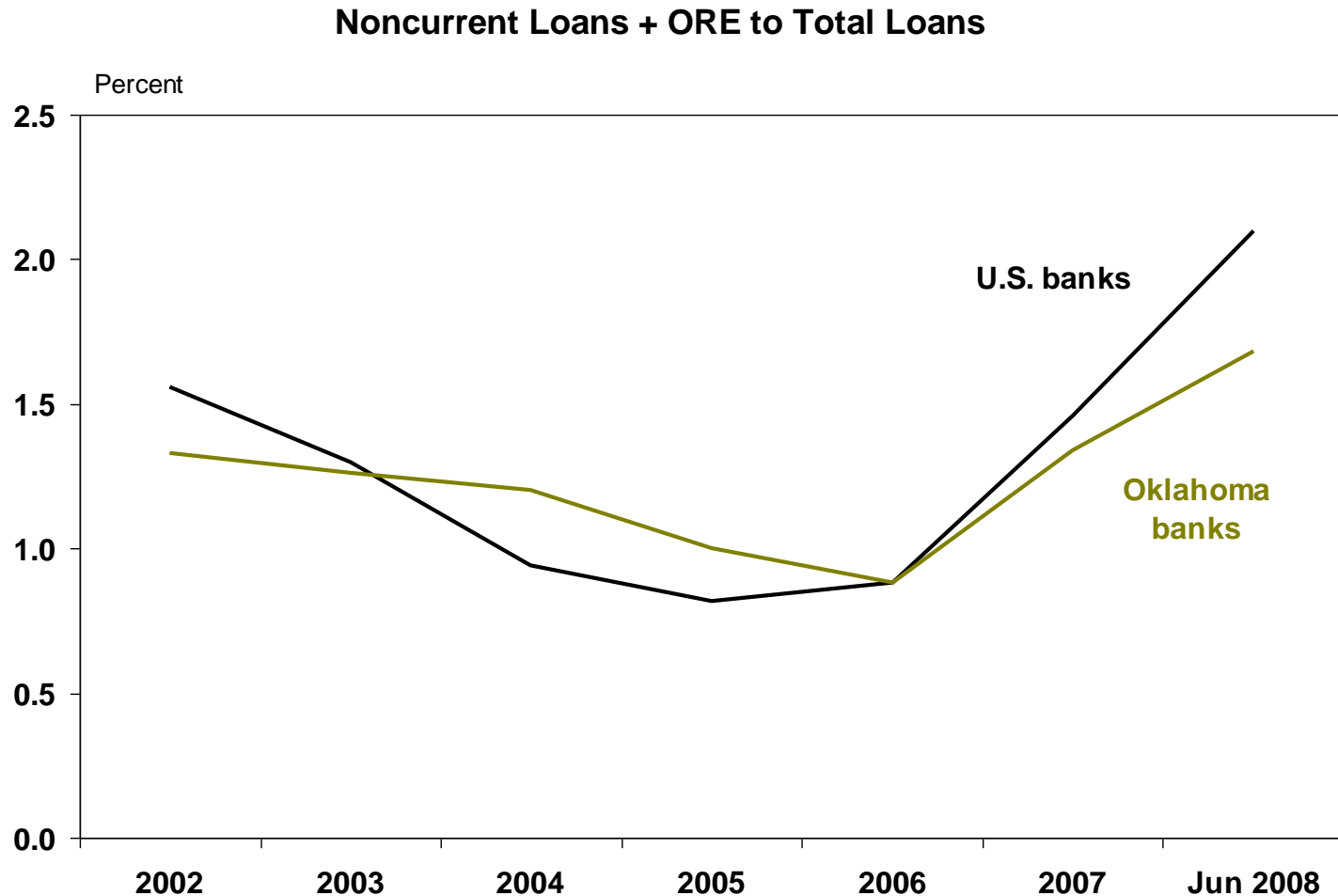


Foreclosures rates in the OKC metro area have been relatively low

Oklahoma City Area Foreclosure Rates by Census Tract, 2008

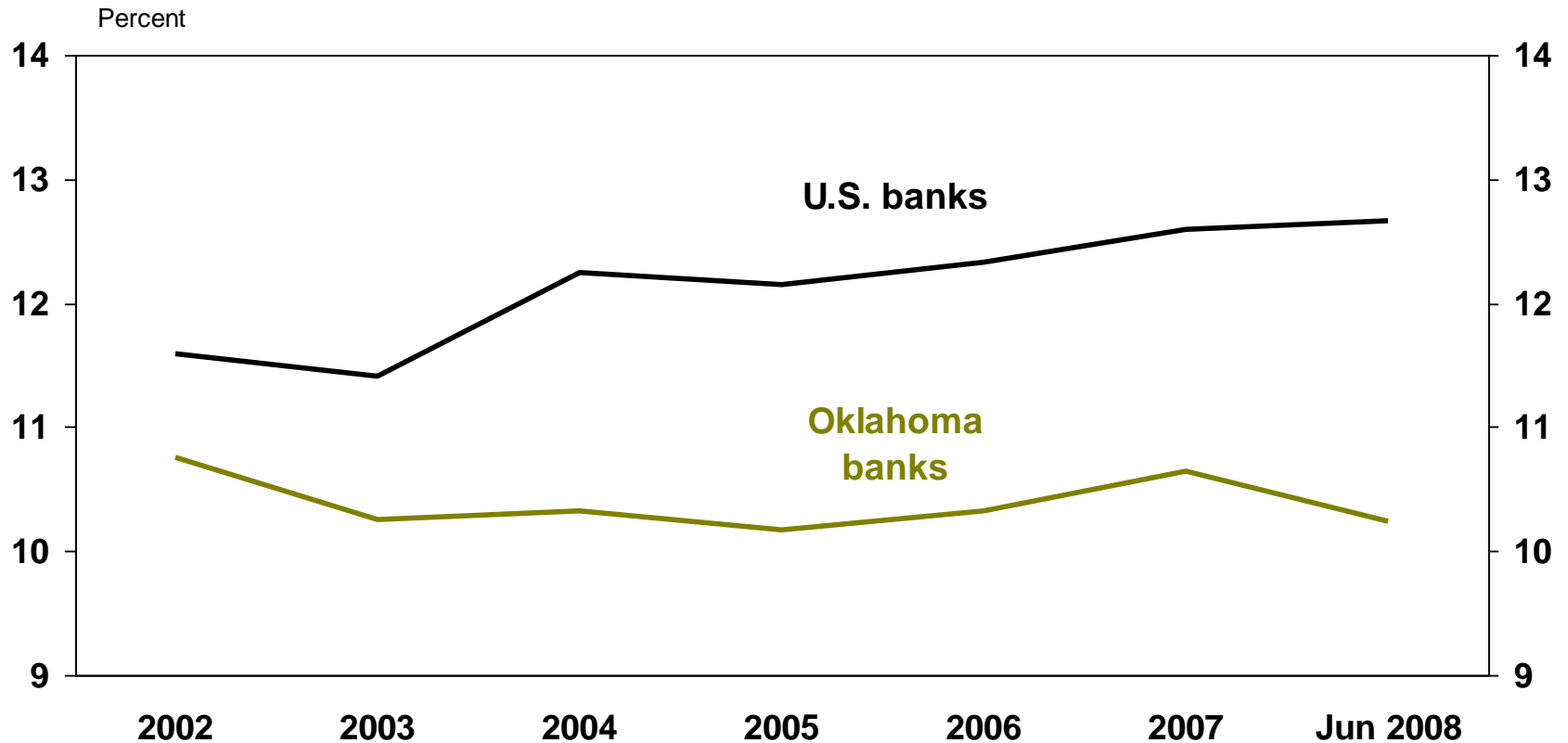


Loan delinquencies are rising at Oklahoma banks, but less than in the nation



Bank capital levels also still remain solid, unlike in past periods of economic uncertainty

Total Capital as a Share of Average Assets



Questions?